

PROSPECTUS SUPPLEMENT
(To Prospectus dated January 30, 2002)

4,000,000 Shares



Atmos Energy Corporation

Common Stock

Atmos Energy Corporation is selling all of the shares.

The shares trade on the New York Stock Exchange under the symbol "ATO." On June 17, 2003, the last sale price of the shares as reported on the New York Stock Exchange was \$25.31 per share.

	<u>Per Share</u>	<u>Total</u>
Public offering price	\$25.31	\$101,240,000
Underwriting discount	\$1.0124	\$4,049,600
Proceeds, before expenses, to Atmos	\$24.2976	\$97,190,400

The underwriters may also purchase up to an additional 600,000 shares at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus supplement to cover overallocments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about June 23, 2003.

Merrill Lynch & Co.

UBS Investment Bank

A.G. Edwards & Sons, Inc.

Edward D. Jones & Co., L.P.

The date of this prospectus supplement is June 18, 2003.

We have not, and the underwriters have not, authorized any other person to provide you with any information or to make any representations not contained in this prospectus supplement or the accompanying prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer of any securities other than the shares. This document is in two parts. The first part is this prospectus supplement, which describes specific terms of this offering and other matters relating to us and our financial condition. The second part is the accompanying prospectus dated January 30, 2002, which gives more general information about securities we may offer from time to time, some of which may not apply to the shares we are currently offering. If the description of the offering or our operations varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as the information contained in any document incorporated by reference, is accurate as of the date of such document only.

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The distribution of this prospectus supplement and the accompanying prospectus, and the offering of the shares, may be restricted by law in certain jurisdictions. You should inform yourself about, and observe, any of these restrictions. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer or solicitation by anyone in any jurisdiction in which the offer or solicitation is not authorized, or in which the person making the offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make the offer or solicitation.

INCORPORATION BY REFERENCE

The SEC allows us to "incorporate by reference" information into this prospectus supplement and the accompanying prospectus that we have filed with it. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus supplement and the accompanying prospectus, except for any information that is superseded by information that is included directly in this document. We incorporate by reference the documents listed below and any future filings we make with the SEC under sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 prior to the termination of our offering of securities.

This prospectus supplement and the accompanying prospectus incorporate by reference the documents listed below that we have filed with the SEC but have *not* included or delivered with this document. These documents contain important information about us and our financial condition.

- Our annual report on Form 10-K for the year ended September 30, 2002;
- Our proxy statement dated December 27, 2002;
- Our quarterly reports on Forms 10-Q and 10-Q/A for the quarterly periods ended December 31, 2002 and March 31, 2003; and
- Our current reports on Forms 8-K and 8-K/A filed with the SEC on December 16, 2002, December 18, 2002, and January 16, 2003.

You may obtain a copy of any of these filings from us without charge by requesting it in writing or by telephone from us at the following address or telephone number:

Atmos Energy Corporation
1800 Three Lincoln Centre
5430 LBJ Freeway
Dallas, Texas 75240
Attention: Susan C. Kappes
(972) 934-9227

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Statements contained in this prospectus supplement that are not statements of historical fact are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933. Forward-looking statements are based on management's beliefs as well as assumptions made by, and information currently available to, management. Because such statements are based on expectations as to future economic performance and are not statements of fact, actual results may differ materially from those stated. Important factors that could cause future results to differ include, but are not limited to:

- warmer than normal weather in our service territories, or other weather conditions, that would be adverse to our business;
- national, regional and local economic conditions;
- competition from other energy suppliers and alternative forms of energy;
- regulatory and business trends and decisions, including the impact of pending rate proceedings before various state regulatory commissions;
- successful completion, financing and integration of acquisitions;
- the effects of inflation on operating expenses and asset replacement costs;
- changes in the availability and prices of natural gas, including the volatility of natural gas prices;
- hedging and market risk factors;
- further deregulation or "unbundling" of the natural gas distribution industry; and
- other factors discussed in this prospectus supplement and our other filings with the SEC.

All of these factors are difficult to predict and many are beyond our control. Accordingly, while we believe these forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. When used in our documents or oral presentations, the words "anticipate," "believe," "estimate," "expect," "objective," "projection," "forecast," "goal," "seek," "strategy" or similar words are intended to identify forward-looking statements. We undertake no obligation to update or revise our forward-looking statements, whether as a result of new information, future events or otherwise. For further factors you should consider, please refer to the Management's Discussion and Analysis of Financial Condition and Results of Operations in our annual report on Form 10-K for the fiscal year ended September 30, 2002 and our quarterly reports on Forms 10-Q and 10-Q/A for the quarterly periods ended December 31, 2002 and March 31, 2003.

The terms "we," "our" and "us" refer to Atmos Energy Corporation unless the context suggests otherwise. The term "you" refers to a prospective investor. The abbreviations "Mcf," "MMcf" and "Bcf" mean thousand cubic feet, million cubic feet and billion cubic feet, respectively.

PROSPECTUS SUPPLEMENT SUMMARY

You should read the following summary in conjunction with the more detailed information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

Atmos Energy Corporation

We distribute and sell natural gas to approximately 1.7 million residential, commercial, public authority and industrial customers. We operate through six divisions covering service areas located in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Tennessee, Texas and Virginia. In addition, we transport natural gas for others through our distribution system.

We provide natural gas management and marketing services to industrial customers, municipalities and other local distribution companies. We own or hold an interest in natural gas storage fields in Kansas, Kentucky, Louisiana and Mississippi to supplement natural gas used by our customers. We also market natural gas to industrial and agricultural customers primarily in West Texas and to industrial customers in Louisiana. In addition, we construct electrical power generating plants and associated facilities and sell or lease them to municipalities and industrial customers.

Our operations are divided into three segments:

- the utility segment, which includes our related natural gas distribution and sales operations,
- the natural gas marketing segment, which includes a variety of natural gas management services, and
- our other non-utility segment, which includes all of our other non-utility operations.

Our utility segment currently operates in 12 states. Our natural gas marketing and other non-utility segments currently operate in 18 states.

Strategy

Our overall strategy is to:

- continue to manage our utility operations efficiently,
- profitably grow our non-utility operations to complement our utility operations,
- profitably grow our business through acquisitions, and
- deliver superior shareholder value.

We have run our operations efficiently by managing our operating and maintenance expenses; leveraging our technology, such as our 24 hour call center, to achieve more efficient operations; focusing on regulatory rate proceedings to increase revenue; mitigating weather-related risks through weather normalized rates in some jurisdictions and purchasing weather insurance in others; and disposing of non-growth assets.

We have grown our non-utility operations by increasing our non-regulated gas sales and entering into new non-utility businesses, such as construction of electrical power generation facilities for municipalities and industrial customers.

We have grown our utility business by acquiring natural gas operations, such as our acquisition of Mississippi Valley Gas Company in December 2002.

Selected Consolidated Financial Data
(dollars in thousands, except per share data)

The following table presents our selected consolidated financial data for the periods and as of the dates indicated. The selected consolidated financial data for our fiscal years 2002, 2001, 2000, 1999 and 1998 are derived from our audited consolidated financial statements. Some prior year amounts have been reclassified to conform with the current year presentation. The selected consolidated financial data for the six months ended March 31, 2003 and 2002 are derived from our unaudited consolidated financial statements. Because of seasonal and other factors, the results of operations for the six month periods are not indicative of results of operations for the entire fiscal years.

The information in the following table is only a summary and does not provide all of the information contained in our financial statements. Therefore, you should read the information presented below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included in our annual report for the fiscal year ended September 30, 2002, and our quarterly reports for the quarterly periods ended December 31, 2002 and March 31, 2003, which are incorporated by reference in this prospectus supplement.

Income Statement Data

	Six Months ended March 31		Year ended September 30				
	2003	2002	2002	2001	2000	1999	1998
	(unaudited)						
Operating revenues	\$1,101,908	\$ 650,823	\$ 950,849	\$1,442,275	\$ 850,152	\$ 690,196	\$ 848,208
Operating expenses	179,632	146,236	275,809	244,927	240,390	245,555	218,957
Operating income	160,502	129,779	155,331	130,281	85,316	54,239	112,879
Net income	74,325	62,011	59,656	56,090	35,918	17,744	55,265
Diluted net income per share	\$ 1.68	\$ 1.51	\$ 1.45	\$ 1.47	\$ 1.14	\$ 0.58	\$ 1.84
Cash dividends per share...	.60	.59	1.18	1.16	1.14	1.10	1.06

Balance Sheet Data

	As of March 31		As of September 30				
	2003	2002	2002	2001	2000	1999	1998
	(unaudited)						
Total assets	\$2,570,478	\$1,960,402	\$1,980,221	\$2,036,180	\$1,348,758	\$1,230,537	\$1,141,390
Debt							
Long-term debt	\$ 864,228	\$ 678,985	\$ 670,463	\$ 692,399	\$ 363,198	\$ 377,483	\$ 398,548
Short-term debt	38,857	62,974	167,771	221,942	267,613	186,152	124,183
Total debt	\$ 903,085	\$ 741,959	\$ 838,234	\$ 914,341	\$ 630,811	\$ 563,635	\$ 522,731
Shareholders' equity	\$ 707,729	\$ 630,879	\$ 573,235	\$ 583,864	\$ 392,466	\$ 377,663	\$ 371,158

The Offering

Common stock offered by us	4,000,000 shares
Shares outstanding after the offering	49,904,068 shares
Use of proceeds	We estimate that our net proceeds from this offering, without exercise of the overallotment option, will be approximately \$96.8 million. We intend to use these net proceeds for general corporate purposes, including to repay short-term debt and to provide additional funding for our pension plan.
NYSE symbol	ATO

The number of shares outstanding after the offering is based on our shares outstanding on June 17, 2003. This number excludes 1,932,433 shares reserved for issuance under outstanding options and share unit awards as of March 31, 2003, up to 232,547 shares, not including dividend adjustments, which are potentially issuable in connection with our acquisition of Woodward Marketing in April 2001 and an estimated approximately 1,204,000 shares we propose to issue as part of the additional funding for our pension plan. This number assumes that the underwriters' overallotment option is not exercised. If the overallotment option is exercised in full, we will issue and sell up to an additional 600,000 shares.

USE OF PROCEEDS

We expect that we will receive net proceeds from this offering of approximately \$96.8 million (\$111.4 million if the underwriters' over-allotment option is exercised in full), after deducting the underwriting discount and commissions and estimated offering expenses payable by us. We will use the net proceeds of this offering for general corporate purposes, including the following:

- A portion of the proceeds will be used to repay all of the outstanding short-term debt under our commercial paper program. As of June 17, 2003, we had approximately \$20.4 million of such commercial paper outstanding. The commercial paper had a weighted average annual interest rate of 1.3% and had a weighted average maturity of one day.
- Approximately \$20.1 million will be used to provide additional funding for our pension plan. This represents the balance of the cash component of \$76.2 million in funding we intend to provide based on actuarial calculations as of June 13, 2003. We recently provided \$26.1 million in cash funding, using the proceeds of short-term debt, and we propose to provide approximately \$30 million of funding in common stock, or approximately 1,204,000 shares (estimated on the basis of the closing price of our shares as of June 13, 2003), to be issued to the trust for the pension plan. The amounts of the additional funding may change based on the actuarial calculations to be made and the price of our shares at the time of the additional funding. Because of the plan's underfunded status, we were required to fund the plan by a minimum of \$5.4 million to meet ERISA requirements by June 30, 2003. We have decided to provide additional funding by such date in order to reduce the future funding requirements for the plan. As of September 30, 2002, we recorded a minimum pension liability of \$39.4 million (net of applicable income taxes) as a charge to equity. The additional funding should decrease and may eliminate the need for a minimum pension liability. However, our projected pension liability and future funding requirements for the plan are subject to change, depending upon the actuarial value of plan assets from time to time and future benefit obligations as of subsequent calculation dates.
- The remainder of the proceeds will be temporarily invested in short-term money market funds and then used as needed for other general corporate purposes, including capital spending and purchases of natural gas, which would otherwise have been financed with short-term debt under our commercial paper program.

MARKET PRICE OF COMMON STOCK AND DIVIDENDS

Our common stock is listed on the New York Stock Exchange under the symbol "ATO". The following table indicates the high and low closing prices of our common stock, as reported by the New York Stock Exchange, and the dividends that we paid per share during the periods indicated.

	<u>High</u>	<u>Low</u>	<u>Cash Dividends Paid</u>
Quarter Ended or Ending			
June 30, 2003 (through June 17, 2003)	\$25.45	\$21.43	\$.30
March 31, 2003	24.20	20.95	.30
December 31, 2002	23.63	20.70	.30
Quarter Ended			
September 30, 2002	\$22.75	\$18.37	\$.295
June 30, 2002	24.46	21.25	.295
March 31, 2002	24.20	20.26	.295
December 31, 2001	22.10	19.46	.295
Quarter Ended			
September 30, 2001	\$23.64	\$19.79	\$.29
June 30, 2001	24.46	21.45	.29
March 31, 2001	25.25	21.50	.29
December 31, 2000	26.25	19.31	.29

The last reported sale price of our common stock on the New York Stock Exchange on June 17, 2003 was \$25.31 per share.

The quarterly dividends of \$.30 per share paid during the first three quarters of fiscal 2003 would indicate an annual dividend rate for fiscal 2003 of \$1.20 per share. However, additional dividends for fiscal 2003 have not been declared and dividends on our shares of common stock are payable at the discretion of our board of directors out of legally available funds. Future payments of dividends, and the amounts of these dividends, will depend on our financial condition, results of operations, capital requirements and other factors.

CAPITALIZATION

The following table presents our short-term debt and capitalization as of March 31, 2003:

- on an actual basis, and
- on an adjusted basis, which gives effect to the issuance and sale of 4,000,000 shares in this offering at a public offering price of \$25.31, after deducting the underwriting discount and commissions and estimated offering expenses payable by us, and the application of a portion of the estimated net proceeds of the offering to repay short-term debt, as if the issuance and sale of the shares and the application of these net proceeds of the offering all occurred on March 31, 2003.

You should read this table in conjunction with the unaudited consolidated financial statements and related notes included in our quarterly report for the quarterly period ended March 31, 2003, which is incorporated by reference in this prospectus supplement.

	As of March 31, 2003	
	Actual	As Adjusted (2) (3) (4)
	(in thousands)	
Short-term debt		
Current portion of long-term debt	\$ 9,157	\$ 9,157
Other short-term debt	29,700	9,300
Total short-term debt	<u>\$ 38,857</u>	<u>\$ 18,457</u>
Long-term debt, less current portion	\$ 864,228	\$ 864,228
Shareholders' equity		
Common stock, no par value (stated at \$.005 per share); 100,000,000 shares authorized; 45,624,705 shares issued and outstanding	228	248
Additional paid-in capital	595,381	692,171
Retained earnings	154,299	154,299
Accumulated other comprehensive loss	(42,179)	(42,179)
Total shareholders' equity	<u>707,729</u>	<u>804,539</u>
Total capitalization (1)	<u>\$1,571,957</u>	<u>\$1,668,767</u>

- (1) Total capitalization excludes short-term debt.
- (2) This table does not include 1,932,433 shares of our common stock issuable upon exercise of outstanding options and share unit awards, up to 232,547 shares of our common stock, not including dividend adjustments, which are potentially issuable in connection with our acquisition of Woodward Marketing in April 2001, and up to 600,000 shares issuable upon the exercise of the underwriters' overallotment option.
- (3) A portion of the net proceeds of the offering will be used to repay all of the outstanding short-term debt under our commercial paper program. As of June 17, 2003, we had approximately \$20.4 million of commercial paper outstanding. The "As Adjusted" column reflects the repayment of \$20.4 million, even though the amount of commercial paper outstanding as of March 31, 2003, was approximately \$29.7 million.
- (4) The "As Adjusted" column does not include the effect of the proposed issuance of approximately \$30 million in common stock as part of the additional funding for our pension plan or any decrease to the minimum pension liability or accumulated other comprehensive loss as a result of the additional funding. We estimate that elimination of the recorded minimum liability associated with the underfunded status of our pension plan will require \$76.2 million in cash and common stock funding, including cash funding we have recently made. If the full amount of the proposed funding is made, we believe, based on our latest estimates, that accumulated other comprehensive loss and total shareholders' equity will be positively adjusted by \$39.4 million, the amount of the net minimum pension liability we previously recorded net of tax. However, the amount of the ultimate adjustment will depend on the actuarial values of plan assets and future benefit obligations as of our next actuarial valuation.

BUSINESS

We distribute and sell natural gas to approximately 1.7 million residential, commercial, public authority and industrial customers. We operate through six divisions covering service areas located in Colorado, Georgia, Illinois, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Tennessee, Texas and Virginia. In addition, we transport natural gas for others through our distribution system.

We provide natural gas management and marketing services to industrial customers, municipalities and other local distribution companies. We own or hold an interest in natural gas storage fields in Kansas, Kentucky, Louisiana and Mississippi to supplement natural gas used by our customers. We also market natural gas to industrial and agricultural customers primarily in West Texas and to industrial customers in Louisiana. In addition, we construct electrical power generating plants and associated facilities and lease or sell them to municipalities and industrial customers.

Our operations are divided into three segments:

- the utility segment, which includes our related natural gas distribution and sales operations,
- the natural gas marketing segment, which includes a variety of natural gas management services, and
- our other non-utility segment, which includes all of our other non-utility operations.

Our utility segment currently operates in 12 states. Our natural gas marketing and other non-utility segments currently operate in 18 states.

Utility Segment Overview

Our utility segment is operated through our six regulated natural gas divisions:

- Atmos Energy Colorado-Kansas Division (formerly Greeley Gas Company),
- Atmos Energy Kentucky Division (formerly Western Kentucky Gas Company),
- Atmos Energy Louisiana Division (formerly Atmos Energy Louisiana Gas Company),
- Atmos Energy Mid-States Division (formerly United Cities Gas Company),
- Atmos Energy Texas Division (formerly Energas Company), and
- Mississippi Valley Gas Company Division.

Atmos Energy Colorado-Kansas Division. Our Colorado-Kansas division operates in Colorado, Kansas and a portion of Missouri and is regulated by the public service commissions of those states with respect to accounting, rates and charges, operating matters and the issuance of securities. We operate under terms of non-exclusive franchises granted by the various cities. We have recently received approval for weather normalization adjustments to our rates in Kansas. At March 31, 2003 and 2002, our Colorado-Kansas division had 219,140 and 214,193 utility meters in service. For the years ended September 30, 2002 and 2001, this division had total throughput of 33,554 and 37,797 MMcf. For the six months ended March 31, 2003 and 2002, this division had total throughput of 25,968 and 23,426 MMcf.

Atmos Energy Kentucky Division. Our Kentucky division operates in Kentucky and is regulated by the Kentucky Public Service Commission with respect to utility services, rates, issuance of securities and other matters. We operate in the various incorporated cities under non-exclusive franchises granted by these cities. Sales of natural gas for use as vehicle fuel in Kentucky are unregulated. We have been operating under a performance-based rate program since July 1998. We also have weather normalization adjustments to our rates in Kentucky. At March 31, 2003 and 2002, our Kentucky division had 178,949 and 179,882 utility meters in service. For the years ended September 30, 2002 and 2001, this division had total throughput of 43,721 and 46,530 MMcf. For the six months ended March 31, 2003 and 2002, this division had total throughput of 32,056 and 28,260 MMcf.

Atmos Energy Louisiana Division. Our Louisiana division includes the operations of the assets of Louisiana Gas Service Company acquired in July 2001 and our previously existing Trans La division. Our Louisiana division operates in Louisiana and is regulated by the Louisiana Public Service Commission with respect to regulated utility services, rates and other matters. In most of the areas in which we operate in Louisiana, we do so under non-exclusive franchises granted by the governing authorities. Direct sales of natural gas to industrial customers in Louisiana, who use gas for fuel or in manufacturing processes, and sales of natural gas for vehicle fuel are exempt from regulation. Since the Louisiana Gas Service acquisition, we have been operating under a rate structure that requires us to share cost savings resulting from the acquisition with our customers. We are also subject to a purchase gas adjustment order that allows the pass through of gas costs and rate stabilization orders that allow us to earn returns on equity within certain ranges that are monitored annually. Recent tariff revisions have increased revenue and decreased our overall weather sensitivity in Louisiana. At March 31, 2003 and 2002, our Louisiana division had 371,528 and 370,941 utility meters in service. For the years ended September 30, 2002 and 2001, this division had total throughput of 30,435 and 12,578 MMcf. The increase in throughput from 2001 to 2002 resulted from throughput from the acquired Louisiana Gas Service assets. For the six months ended March 31, 2003 and 2002, this division had total throughput of 18,902 and 18,633 MMcf.

Atmos Energy Mid-States Division. Our Mid-States division operates in Georgia, Illinois, Iowa, Missouri, Tennessee and Virginia. Our rates, services and operations as a natural gas distribution company are subject to general regulation by each state's public service commission. We operate in each community, where necessary, under a franchise granted by the municipality for a fixed term of years. In Tennessee and Georgia, we have performance-based rates, which provide incentives for us to find ways to lower costs. Any cost savings are then shared with our customers. We also have weather normalization adjustments to our rates in Tennessee and Georgia. At March 31, 2003 and 2002, our Mid-States division had 313,246 and 310,390 utility meters in service. For the years ended September 30, 2002 and 2001, this division had total throughput of 57,144 and 64,924 MMcf. For the six months ended March 31, 2003 and 2002, this division had total throughput of 42,788 and 39,175 MMcf.

Atmos Energy Texas Division. Our Texas division operates in Texas. The governing body of each municipality we serve has original jurisdiction over all utility rates, operations and services within its city limits, except with respect to sales of natural gas for vehicle fuel and agricultural use. We operate under non-exclusive franchises granted by the municipalities we serve, which are subject to renewal from time to time. The Railroad Commission of Texas has exclusive appellate jurisdiction over all rate and regulatory orders and ordinances of the municipalities and exclusive original jurisdiction over rates and services to customers not located within the limits of a municipality. At March 31, 2003 and 2002, our Texas division had 312,370 and 314,946 utility meters in service. For the years ended September 30, 2002 and 2001, this division had total throughput of 49,279 and 53,586 MMcf. For the six months ended March 31, 2003 and 2002, this division had total throughput of 30,577 and 30,167 MMcf.

Mississippi Valley Gas Company Division. Our Mississippi Valley Gas Company division, acquired in December 2002, operates in Mississippi and is regulated by the Mississippi Public Service Commission with respect to rates, services and operations. We operate under non-exclusive franchises granted by the municipalities we serve. Since the acquisition, we have been operating under a rate structure that will allow us over a five year period to recover a portion of our integration costs associated with the acquisition, and operations and maintenance costs in excess of an agreed-upon benchmark. In addition, we are required to file for rate adjustments based on our expenses every six months. We also have weather normalization adjustments to our rates in Mississippi. At March 31, 2003, our Mississippi Valley Gas Company division had 282,091 utility meters in service.

Natural Gas Marketing Segment Overview

Atmos Energy Marketing provides a variety of natural gas management services to natural gas utility systems, municipalities and industrial natural gas consumers primarily in the southeastern and midwestern states and to our Colorado-Kansas, Kentucky, Louisiana and Mid-States divisions. These services consist primarily of the furnishing of natural gas supplies at fixed and market-based prices, load forecasting and

management, gas storage and transportation services, peaking sales and balancing services and gas price hedging through the use of derivative products. In addition, through Trans Louisiana Industrial Gas Company, it markets natural gas primarily to commercial customers in Louisiana. Atmos Energy Marketing had \$38.5 million of gas trading margin for the year ended September 30, 2002, and \$6.9 million of gas trading margin for the six months ended March 31, 2003. For the year ended September 30, 2002, Atmos Energy Marketing sold 273.8 Bcf of natural gas to its customers. For the six months ended March 31, 2003, Atmos Energy Marketing sold 169.4 Bcf of natural gas to its customers.

Atmos Energy Marketing's management of natural gas requirements involves the sale of natural gas and the management of storage and transportation contracts under contracts with customers generally having one to two-year terms. At March 31, 2003, Atmos Energy Marketing had a total of 154 municipal customers and 638 industrial customers. Atmos Energy Marketing also sells natural gas to some of its industrial customers on a delivered burner tip basis under contract terms from 30 days to two years. In addition, Atmos Energy Marketing supplies our regulated operations with a portion of our natural gas requirements on a competitive bid basis.

In providing other gas related services, Atmos Energy Marketing generates income through negotiated prices based on the volume of gas supplied to the customer. Atmos Energy Marketing also generates income by taking advantage of the difference between near-term gas prices and prices for future delivery as well as the daily movement of gas prices by utilizing storage and transportation capacity that it controls.

In managing the natural gas requirements for municipal and other local utilities, Atmos Energy Marketing sells physical natural gas to its customers for future delivery and manages the associated price risk through the use of financial instruments, including gas futures, forwards, over-the-counter and exchange-traded options, and swap contracts with counterparties. Atmos Energy Marketing links gas derivative financial instruments to physical delivery of natural gas and typically balances its derivative positions at the end of each trading day. Although it seeks to manage margins and limit overall price exposure through these activities, Atmos Energy Marketing may not have completely hedged its price risk at any point in time. In addition, with regard to its physical trading business, Atmos Energy Marketing engages in limited speculative natural gas trading for its own account primarily related to its storage activity, subject to management policy limiting overall exposure and bank credit facility limits. Atmos Energy Marketing's reliance on storage is subject to contractual and regulatory limitations relating to our storage facilities. We are seeking to address these limitations, which resulted in lower earnings for this segment in the second fiscal quarter of 2003.

Other Non-Utility Segment Overview

Our subsidiary Atmos Pipeline and Storage owns or has an interest in underground storage fields in Kansas, Kentucky and Louisiana and provides storage services to our Colorado-Kansas, Mid-States and Louisiana divisions and to other non-utility customers. Our total storage capacity in Atmos Pipeline and Storage is approximately 26.1 Bcf.

Our subsidiary Atmos Power Systems constructs electrical power generating plants and associated facilities which it leases or sells to municipalities and industrial customers.

Financial Overview of Segments

The table below summarizes certain information regarding the operation of our utility, natural gas marketing and other non-utility segments for each of the three years ended September 30, 2002, 2001 and 2000 and the six months ended March 31, 2003 and 2002. Because of seasonal and other factors, the results of operations for the six month periods are not indicative of results of operations for the entire fiscal years. You should read the information below in conjunction with Note 11, "Segment Information," to the consolidated financial statements included in our annual report for the fiscal year ended September 30, 2002, and Note 9, "Supplemental Disclosures," to the consolidated financial statements included in our quarterly report for the quarterly period ended March 31, 2003, which are incorporated by reference in this prospectus supplement.

Our determination of reportable segments considers the strategic operating units under which we manage sales of various products and services to customers in differing regulatory environments. Although this financial overview of segments does not provide all the information necessary to fully understand our utility, natural gas marketing and other non-utility operations, the items presented in the table provide information that we believe is useful in evaluating the segments.

	Utility	Natural Gas Marketing	Other Non-Utility (in thousands)	Eliminations	Consolidated
Year Ended September 30, 2002					
Operating revenues	\$ 937,526	\$ 678	\$ 24,705	\$ (12,060)	\$ 950,849
Gas trading margin	—	38,538	—	—	38,538
Operating income	125,506	20,610	9,215	—	155,331
Net income	42,994	12,614	4,048	—	59,656
Identifiable assets	1,789,833	258,624	71,036	(139,272)	1,980,221
Year Ended September 30, 2001					
Operating revenues	\$1,380,148	\$ 7,946	\$ 59,436	\$ (5,255)	\$1,442,275
Gas trading margin	—	488	—	—	488
Operating income (loss)	127,980	(3,122)	5,423	—	130,281
Net income	49,881	2,551	3,658	—	56,090
Identifiable assets	1,732,697	255,729	111,427	(63,673)	2,036,180
Year Ended September 30, 2000					
Operating revenues	\$ 739,951	\$ 929	\$117,926	\$ (8,654)	\$ 850,152
Gas trading margin	—	—	—	—	—
Operating income	77,207	155	7,954	—	85,316
Net income	22,459	5,344	8,115	—	35,918
Identifiable assets	1,253,023	37,621	74,673	(16,559)	1,348,758
Six Months Ended March 31, 2003					
Operating revenues	\$1,096,529	\$ 316	\$ 12,557	\$ (7,494)	\$1,101,908
Gas trading margin	—	6,943	—	—	6,943
Operating income (loss)	153,127	(2,390)	7,726	2,039	160,502
Cumulative effect of accounting change, net of income tax benefit	—	(7,773)	—	—	(7,773)
Net income (loss)	75,111	(8,079)	7,293	—	74,325
Identifiable assets	2,263,241	380,627	95,224	(168,614)	2,570,478
Six Months Ended March 31, 2002					
Operating revenues	\$ 641,967	\$ 340	\$ 16,959	\$ (8,443)	\$ 650,823
Gas trading margin	—	16,767	—	—	16,767
Operating income	115,834	8,772	5,173	—	129,779
Net income	53,521	4,559	3,931	—	62,011
Identifiable assets	1,833,446	208,807	75,365	(157,216)	1,960,402

Gas Sales

Our natural gas utility distribution business is seasonal and highly dependent on weather conditions in our service areas. Gas sales to residential and commercial customers are greater during the winter months than during the remainder of the year. The volumes of gas sales during the winter months will vary with the temperatures during these months. The seasonal nature of our sales to residential and commercial customers is partially offset by our sales in the spring and summer months to our agricultural customers in Texas, Colorado and Kansas who use natural gas to operate irrigation equipment. In addition to weather, our revenues are affected by the cost of natural gas and economic conditions in the areas that we serve.

We are currently experiencing higher purchased costs for natural gas. Higher gas costs, which we are generally able to pass through to our customers under purchased gas adjustment clauses, may cause customers to conserve, or, in the case of industrial customers, to use alternative energy sources. Higher gas costs may also result in higher than normal accounts receivable, which in turn lead to higher short-term debt levels and increased bad debts.

To protect against volatility in gas prices, we hedged gas costs for the 2002-2003 heating season by using a combination of storage, financial hedges and fixed forward contracts to stabilize gas prices. For the 2002-2003 heating season, we covered approximately 51% of our flowing gas requirements through storage and financial instruments. For the 2003-2004 heating season, we are seeking to hedge our gas costs for approximately 50% of our anticipated flowing gas requirements using a combination of storage, financial hedges and fixed forward contracts.

We have weather normalization adjustments in our rate jurisdictions in Tennessee, Georgia, Kentucky and Mississippi which protect against earnings volatility. Beginning in fiscal 2004, we will also have weather normalization adjustments in our rate jurisdictions in Kansas. We purchased a three-year weather insurance policy for our Texas and Louisiana operations commencing with the 2001-2002 heating season; however, we have exercised our option to cancel in the third year because we have obtained better weather protection in our rate structure in Louisiana and intend to seek weather normalization adjustments in Texas.

Gas Supply

To meet customer requirements, we must acquire sufficient gas supplies and pipeline capacity to ensure delivery to our distribution system while also ensuring that our supply and capacity contracts will allow us to remain competitive. Natural gas is an unregulated commodity subject to market supply and demand and price volatility. We employ a diversified approach to satisfy our supply and delivery requirements.

We receive gas deliveries through 38 pipeline transportation companies, both interstate and intrastate, to satisfy our firm sales market requirements. The pipeline transportation agreements are firm and many of them have pipeline no-notice storage service, which provides for daily balancing between system requirements and nominated flowing supplies. These agreements have generally been negotiated with the shortest term available while still maintaining our right to roll over the term. The agreements reduce the risk of paying fixed fees to reserve pipeline capacity on a long-term basis.

Our natural gas storage facilities help meet customer requirements during peak demand periods and reduce the need to contract for additional pipeline capacity to meet peak demand periods. We normally inject gas into pipeline storage systems and our own storage facilities during the summer months and withdraw it in the winter months.

We purchase our gas supply from various producers and marketers. Supply arrangements are contracted on a firm basis with various terms at market prices. The firm supply consists of both base load and swing supply quantities. Base load quantities flow at a constant level throughout the month, and swing supply quantities provide the flexibility to change daily quantities to match increases or decreases in requirements related to weather conditions. Except for local production purchases, we select suppliers through a competitive bidding process by requesting proposals from suppliers that have demonstrated

reliable service. We select suppliers based on their ability to deliver gas supply to our designated firm pipeline receipt points at the best cost.

We have not experienced problems with obtaining gas supply as needed for our customers. However, because the pipelines, producers and marketers that we deal with are themselves subject to operating and financial risks associated with exploring, drilling, producing, gathering, marketing and transporting natural gas, their risks also affect our exposure to supply and price fluctuations.

Properties

We own 44,992 miles of underground distribution and transmission mains throughout our gas distribution systems, including the recently acquired Mississippi Valley Gas Company system. These mains are located on easements or rights-of-way which generally provide for perpetual use. We maintain our mains through a program of continuous inspection and repair and believe that our system of mains is in good condition. We also own and operate one propane peak shaving plant with a total capacity of approximately 180,000 gallons that can produce an equivalent of approximately 3,300 Mcf daily. We own a liquefied natural gas storage facility with a capacity of 500,000 Mcf which can inject a daily volume of 30,000 Mcf into the system, as well as underground storage fields that are used to supplement the supply of natural gas in periods of peak demand.

We have seven underground gas storage facilities in Kentucky, four in Kansas and two in Mississippi. Our total storage capacity is approximately 30.6 Bcf. However, approximately 14.7 Bcf of gas in the storage facilities must be retained as cushion gas to maintain reservoir pressure. The maximum daily delivery capability of these storage facilities is approximately 311,000 Mcf.

We also own a 25% interest in a gas storage facility in Napoleonville, Louisiana. Our 25% usable capacity at this facility is 364,782 Mcf. In addition to the usable capacity, we maintain 332,917 Mcf of cushion gas to maintain reservoir pressure. Our maximum daily delivery capability at the Napoleonville facility is approximately 56,000 Mcf. We also have a contract through March 2004 for 300,000 Mcf of usable storage capacity in a storage facility in Sorrento, Louisiana. Our maximum daily delivery capability at the Sorrento facility is approximately 25,000 Mcf.

We hold franchises granted by the incorporated cities and towns that we serve. We hold 649 franchises having terms generally ranging from five to 25 years, other than the Mississippi Valley Gas Company franchises, which are perpetual. We believe that each of our franchises will be renewed.

Our administrative offices are consolidated in Dallas, Texas under one lease. We also maintain field offices throughout our distribution system, the majority of which are located in leased facilities. Our nonutility operations are headquartered in Houston, Texas, with offices in Houston and other locations, primarily in leased facilities.

Regulation

Each of our utility divisions is regulated by various state or local public utility authorities. We are also subject to regulation by the United States Department of Transportation with respect to safety requirements in the operation and maintenance of our gas distribution facilities. Our distribution operations are also subject to various state and federal laws regulating environmental matters. From time to time we receive inquiries regarding various environmental matters and become party to environmental claims in the ordinary course of our business. We have been involved in investigations and remediation of former manufactured gas plant sites in Tennessee, Iowa and Missouri and mercury contamination at gas pipeline sites in Kansas and Colorado that utilize or formerly utilized mercury meter equipment. We believe, however, that any additional expenditures related to these matters can be recovered through rates, shared with other parties or covered by insurance. We believe that our properties and operations substantially comply with and are operated in substantial conformity with applicable safety and environmental statutes and regulations. There are no administrative or judicial proceedings arising under environmental quality

statutes pending or known to be contemplated by governmental agencies which would have a material adverse effect on us.

Rates

The method of determining regulated rates varies among the states in which our utility divisions operate. The regulators have the responsibility of ensuring that utilities under their jurisdiction operate in the best interests of customers while providing the utilities the opportunity to earn a reasonable return on investment. In a general rate case, the applicable regulatory authority, which is typically the state public utility commission, establishes a base margin, which is the amount of revenue authorized to be collected from customers to recover authorized operating expense (other than the cost of gas), depreciation, interest, taxes and return on rate base. The divisions in our utility segment perform annual deficiency studies for each rate jurisdiction to determine when to file rate cases. We typically file rate cases in a jurisdiction every two to five years.

Substantially all of our sales to our customers fluctuate with the cost of gas that we purchase. Rates established by regulatory authorities are adjusted for increases and decreases in our purchased gas cost through purchased gas adjustment mechanisms. Purchased gas adjustment mechanisms provide us a method of recovering purchased gas costs on an ongoing basis without the necessity of a rate case addressing all of our non-gas costs. These purchased gas adjustment mechanisms are not designed to allow us to earn a profit but are designed to allow a dollar-for-dollar recovery of fuel costs. Therefore, while our operating revenues may fluctuate, gross profit (operating revenues less purchased gas cost) is generally not eroded or enhanced because of gas cost increases or decreases. ♦

Approximately 98% of our revenues in the fiscal year ended September 30, 2002, and approximately 96% of our revenues in fiscal 2001 were derived from sales at rates set by or subject to approval by local or state authorities. Generally, the regulatory authority reviews our rate request and establishes a rate structure intended to generate revenue sufficient to cover our costs of doing business and provide a reasonable return on invested capital.

Competition

Our utility operations are not currently in significant direct competition with any other distributors of natural gas to residential and commercial customers within our service areas. However, we do compete with other natural gas suppliers and suppliers of alternative fuels for sales to industrial and agricultural customers. We compete in all aspects of our business with alternative energy sources, including, in particular, electricity. Competition for residential and commercial customers is increasing. Promotional incentives, improved equipment efficiencies and promotional rates all contribute to the acceptability of electrical equipment. Electric utilities offer electricity as a rival energy source and compete for the space heating, water heating and cooking markets. The principal means to compete against alternative fuels is lower prices, and natural gas historically has maintained its price advantage in the residential, commercial and industrial markets. In addition, our natural gas marketing segment competes with other natural gas marketers in obtaining natural gas supplies for customers.

DESCRIPTION OF COMMON STOCK

Our authorized capital stock consists of 100,000,000 shares of common stock, of which 45,904,068 shares were outstanding on June 17, 2003. Each of our shares of common stock is entitled to one vote on all matters voted upon by shareholders. Our shareholders do not have cumulative voting rights. Our issued and outstanding shares of common stock are fully paid and nonassessable. There are no redemption or sinking fund provisions applicable to the shares of our common stock, and such shares are not entitled to any preemptive rights. Since we are incorporated in both Texas and Virginia, we must comply with the laws of both states when issuing shares of our common stock.

Holders of our shares of common stock are entitled to receive such dividends as may be declared from time to time by our board of directors from our assets legally available for the payment of dividends and, upon our liquidation, a pro rata share of all of our assets available for distribution to our shareholders.

Under the provisions of some of our debt agreements, we have agreed to restrictions on the payment of cash dividends. Under these restrictions, our cumulative cash dividends paid after December 31, 1988 may not exceed the sum of our and our subsidiaries' accumulated consolidated net income for periods after December 31, 1988, plus approximately \$15.0 million. As of March 31, 2003, approximately \$115.9 million was available for the declaration of dividends under these restrictions.

The registrar and transfer agent for our common stock is EquiServe Trust Company, N.A.

Registration Rights and Other Agreements

As part of the consideration for our Mississippi Valley Gas Company acquisition in December 2002, we issued 3,386,287 shares of common stock under an exemption from registration under the Securities Act. In the transaction, we entered into a registration rights agreement with the former stockholders of Mississippi Valley Gas Company that requires us, on no more than two occasions, and with some limitations, to file a registration statement under the Securities Act within 60 days of their request for an offering designed to achieve a wide distribution of shares through underwriters selected by us. Each of these shareholders has also agreed, for up to five years from the closing of the acquisition, and with some exceptions, not to sell or transfer shares representing more than 1% of our total outstanding voting securities to any person or group or any shares to a person or group who would hold more than 9.9% of our total outstanding voting securities after the sale or transfer. This restriction, and other agreed restrictions on the ability of these shareholders to acquire additional shares, participate in proxy solicitations or act to seek control, may be deemed to have an "anti-takeover" effect. In addition, we have granted rights, subject to some limitations, to participate in future registered offerings of our securities to these shareholders and the former stockholders of Woodward Marketing, including JD Woodward, III, in connection with our acquisition of Woodward Marketing in April 2001. These participation rights do not include offerings covered by the registration statement of which this prospectus supplement and the accompanying prospectus are a part.

Charter and Bylaw Provisions

Some provisions of our restated articles of incorporation and bylaws may be deemed to have an "anti-takeover" effect. The following description of these provisions is only a summary, and we refer you to our restated articles of incorporation and bylaws for more information since their terms affect your rights as a shareholder.

Classification of the Board. Our board of directors is divided into three classes, each of which consists, as nearly as may be possible, of one-third of the total number of directors constituting the entire board. There are currently 12 directors serving on the board. Each class of directors serves a three-year term. At each annual meeting of our shareholders, successors to the class of directors whose term expires at the annual meeting are elected for three-year terms. Our restated articles of incorporation prohibit cumulative voting. In general, in the absence of cumulative voting, one or more persons who hold a majority of our outstanding shares can elect all of the directors who are subject to election at any meeting of shareholders.

The classification of directors could have the effect of making it more difficult for shareholders, including those holding a majority of the outstanding shares, to force an immediate change in the composition of our board. Two shareholder meetings, instead of one, generally will be required to effect a change in the control of our board. Our board believes that the longer time required to elect a majority of a classified board will help to ensure the continuity and stability of our management and policies since a majority of the directors at any given time will have had prior experience as our directors.

Removal of Directors. Our restated articles of incorporation and bylaws also provide that our directors may be removed only for cause and upon the affirmative vote of the holders of at least 75% of the shares then entitled to vote at an election of directors.

Fair Price Provisions. Article VII of our restated articles of incorporation provides certain "Fair Price Provisions" for our shareholders. Under Article VII, a merger, consolidation, sale of assets, share exchange, recapitalization or other similar transaction, between us or a company controlled by or under common control with us and any individual, corporation or other entity which owns or controls 10% or more of our voting capital stock, would be required to satisfy the condition that the aggregate consideration per share to be received in the transaction for each class of our voting capital stock be at least equal to the highest per share price, or equivalent price for any different classes or series of stock, paid by the 10% shareholder in acquiring any of its holdings of our stock. If a proposed transaction with a 10% shareholder does not meet this condition, then the transaction must be approved by the holders of at least 75% of the outstanding shares of voting capital stock held by our shareholders other than the 10% shareholder unless a majority of the directors who were members of our board immediately prior to the time the 10% shareholder involved in the proposed transaction became a 10% shareholder have either:

- expressly approved in advance the acquisition of the outstanding shares of our voting capital stock that caused the 10% shareholder to become a 10% shareholder, or
- approved the transaction either in advance of or subsequent to the 10% shareholder becoming a 10% shareholder.

The provisions of Article VII may not be amended, altered, changed, or repealed except by the affirmative vote of at least 75% of the votes entitled to be cast thereon at a meeting of our shareholders duly called for consideration of such amendment, alteration, change, or repeal. In addition, if there is a 10% shareholder, such action must also be approved by the affirmative vote of at least 75% of the outstanding shares of our voting capital stock held by the shareholders other than the 10% shareholder.

Shareholder Proposals and Director Nominations. Our shareholders can submit shareholder proposals and nominate candidates for the board of directors if the shareholders follow the advance notice procedures described in our bylaws.

Shareholder proposals must be submitted to our corporate secretary at least 60 days, but not more than 85 days, before the annual meeting; provided, however, that if less than 75 days' notice or prior public disclosure of the date of the annual meeting is given or made to shareholders, notice by the shareholder to be timely must be received by our Secretary not later than the close of business on the 25th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. The notice must include a description of the proposal, the shareholder's name and address and the number of shares held, and all other information which would be required to be included in a proxy statement filed with the SEC if the shareholder were a participant in a solicitation subject to the SEC proxy rules. To be included in our proxy statement for an annual meeting, we must receive the proposal at least 120 days prior to the anniversary of the date we mailed the proxy statement for the prior year's annual meeting.

To nominate directors, shareholders must submit a written notice to our corporate secretary at least 60 days, but not more than 85 days, before a scheduled meeting; provided, however, that if less than 75 days' notice or prior public disclosure of the date of the annual meeting is given or made to shareholders, such nomination shall have been received by our Secretary not later than the close of business on the 25th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. The notice must include the name and address of the shareholder and of the shareholder's nominee, the number of shares held by the shareholder, a representation that the shareholder is a holder of record of common stock entitled to vote at the meeting, and that the shareholder intends to appear in person or by proxy to nominate the persons specified in the notice, a description of any arrangements between the shareholder and the shareholder's nominee,

information about the shareholder's nominee required by the SEC, and the written consent of the shareholder's nominee to serve as a director.

Shareholder proposals and director nominations that are late or that do not include all required information may be rejected. This could prevent shareholders from bringing certain matters before an annual or special meeting or making nominations for directors.

Shareholder Rights Plan. On November 12, 1997, our board of directors declared a dividend distribution of one right for each outstanding share of our common stock to shareholders of record at the close of business on May 10, 1998. Each right entitles the registered holder to purchase from us one-tenth share of our common stock at a purchase price of \$8.00 per share, subject to adjustment. The description and terms of the rights are set forth in a rights agreement between us and EquiServe Trust Company, N.A., as rights agent.

Subject to exceptions specified in the rights agreement, the rights will separate from our common stock and a distribution date will occur upon the earlier of:

- ten business days following a public announcement that a person or group of affiliated or associated persons has acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding shares of our common stock, other than as a result of repurchases of stock by us or specified inadvertent actions by institutional or other shareholders,
- ten business days, or such later date as our board of directors shall determine, following the commencement of a tender offer or exchange offer that would result in a person or group having acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding shares of our common stock, or
- ten business days after our board of directors shall declare any person to be an adverse person within the meaning of the rights plan.

The rights expire at 5:00 P.M., Boston, Massachusetts time on May 10, 2008, unless extended prior thereto by our board or earlier if redeemed by us.

The rights will not have any voting rights. The exercise price payable and the number of shares of our common stock or other securities or property issuable upon exercise of the rights are subject to adjustment from time to time to prevent dilution. We issue rights when we issue our common stock until the rights have separated from the common stock. After the rights have separated from the common stock, we may issue additional rights if the board of directors deems such issuance to be necessary or appropriate.

The rights have anti-takeover effects and may cause substantial dilution to a person or entity that attempts to acquire us on terms not approved by our board of directors except pursuant to an offer conditioned upon a substantial number of rights being acquired. The rights should not interfere with any merger or other business combination approved by our board of directors because, prior to the time that the rights become exercisable or transferable, we can redeem the rights at \$.01 per right.

UNDERWRITING

We intend to offer the shares through the underwriters. Merrill Lynch, Pierce, Fenner & Smith Incorporated, UBS Securities LLC, A.G. Edwards & Sons, Inc. and Edward D. Jones & Co., L.P. are acting as representatives of the underwriters named below. Subject to the terms and conditions described in a purchase agreement between us and the underwriters, we have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us, the number of shares of our common stock, listed opposite their names below.

<u>Underwriter</u>	<u>Number of Shares</u>
Merrill Lynch, Pierce, Fenner & Smith Incorporated	2,600,000
UBS Securities LLC	600,000
A.G. Edwards & Sons, Inc.	400,000
Edward D. Jones & Co., L.P.	400,000
Total	<u>4,000,000</u>

The underwriters have agreed to purchase all of the shares sold under the purchase agreement if any of these shares are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make with respect to those liabilities.

The underwriters are offering the shares of our common stock, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares of our common stock to the public at the initial public offering price on the cover page of this prospectus supplement and to dealers at that price less a concession not in excess of \$.60 per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of \$.10 per share to other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. This information assumes either no exercise or full exercise by the underwriters of their overallotment option.

	<u>Per Share</u>	<u>Without Option</u>	<u>With Option</u>
Public offering price	\$25.31	\$101,240,000	\$116,426,000
Underwriting discount	\$1.0124	\$4,049,600	\$4,657,040
Proceeds, before expenses, to Atmos	\$24.2976	\$97,190,400	\$111,768,960

The expenses of the offering, not including the underwriting discount, are estimated at \$380,000 and are payable by us.

Overallotment Option

We have granted an option to the underwriters to purchase up to 600,000 additional shares of our common stock at the public offering price less the underwriting discount. The underwriters may exercise this option for 30 days from the date of this prospectus supplement solely to cover any overallotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

No Sale of Similar Securities

We and our senior officers and another individual have agreed, subject to some limited exceptions, not to sell or transfer any of our common stock for a period of 90 days after the date of this prospectus supplement without first obtaining the written consent of Merrill Lynch on behalf of the underwriters. Specifically, we and these other individuals have agreed not to directly or indirectly

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

In addition, the foregoing individuals have agreed not to request or demand that we file a registration statement related to the common stock.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. The restrictions described above do not apply to the sale of shares by us to the underwriters solely to cover overallotments in this offering or to our proposed funding of our pension plan with shares of common stock.

Electronic Distributions

Merrill Lynch will be facilitating Internet distribution for this offering to certain of its Internet subscription customers. Merrill Lynch intends to allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus supplement is available on the Internet website maintained by Merrill Lynch. Other than this prospectus supplement in electronic format, the information on the Merrill Lynch website is not a part of this prospectus supplement. One or more of the other underwriters may also facilitate Internet distribution for this offering to certain of their Internet subscription customers.

New York Stock Exchange Listing

The shares of our common stock are listed on the New York Stock Exchange under the symbol "ATO."

Price Stabilization and Short Positions

Until the distribution of shares of our common stock is completed, SEC rules may limit the underwriters from bidding for or purchasing our common stock. However, the underwriters may engage in

transactions that stabilize the price of our common stock, such as bids or purchases that peg, fix or maintain that price.

The underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. "Covered" short sales are sales made in an amount not greater than the underwriters' option to purchase additional shares from the issue in the offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase the shares through the overallotment option. "Naked" short sales are sales in excess of the overallotment option. The underwriters must close out any naked short position by purchasing shares of our common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of our common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters' purchases to cover syndicate short positions may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that would otherwise exist in the open market.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters makes any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The underwriters have engaged in, and may in the future engage in, investment banking, advisory, lending and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions.

LEGAL MATTERS

Gibson, Dunn & Crutcher LLP, Dallas, Texas, and Hunton & Williams, Richmond, Virginia, will opine for us as to the validity of the offered shares. Shearman & Sterling LLP, New York, New York, will pass upon certain legal matters related to the offered shares for the underwriters.

EXPERTS

Ernst & Young LLP, independent auditors, have audited our consolidated financial statements and schedule included in our annual report on Form 10-K for the year ended September 30, 2002, as set forth in their report, which is incorporated by reference in this prospectus supplement and elsewhere in the prospectus. Our financial statements and schedule are incorporated by reference in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.